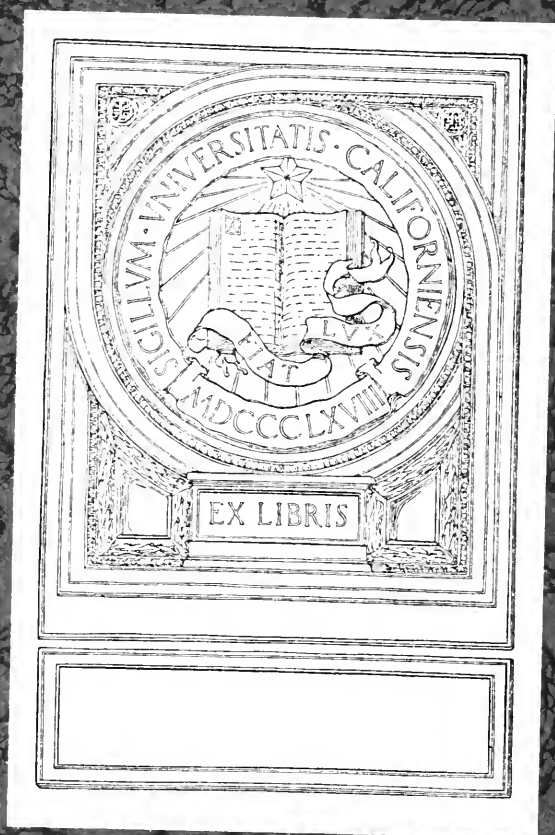


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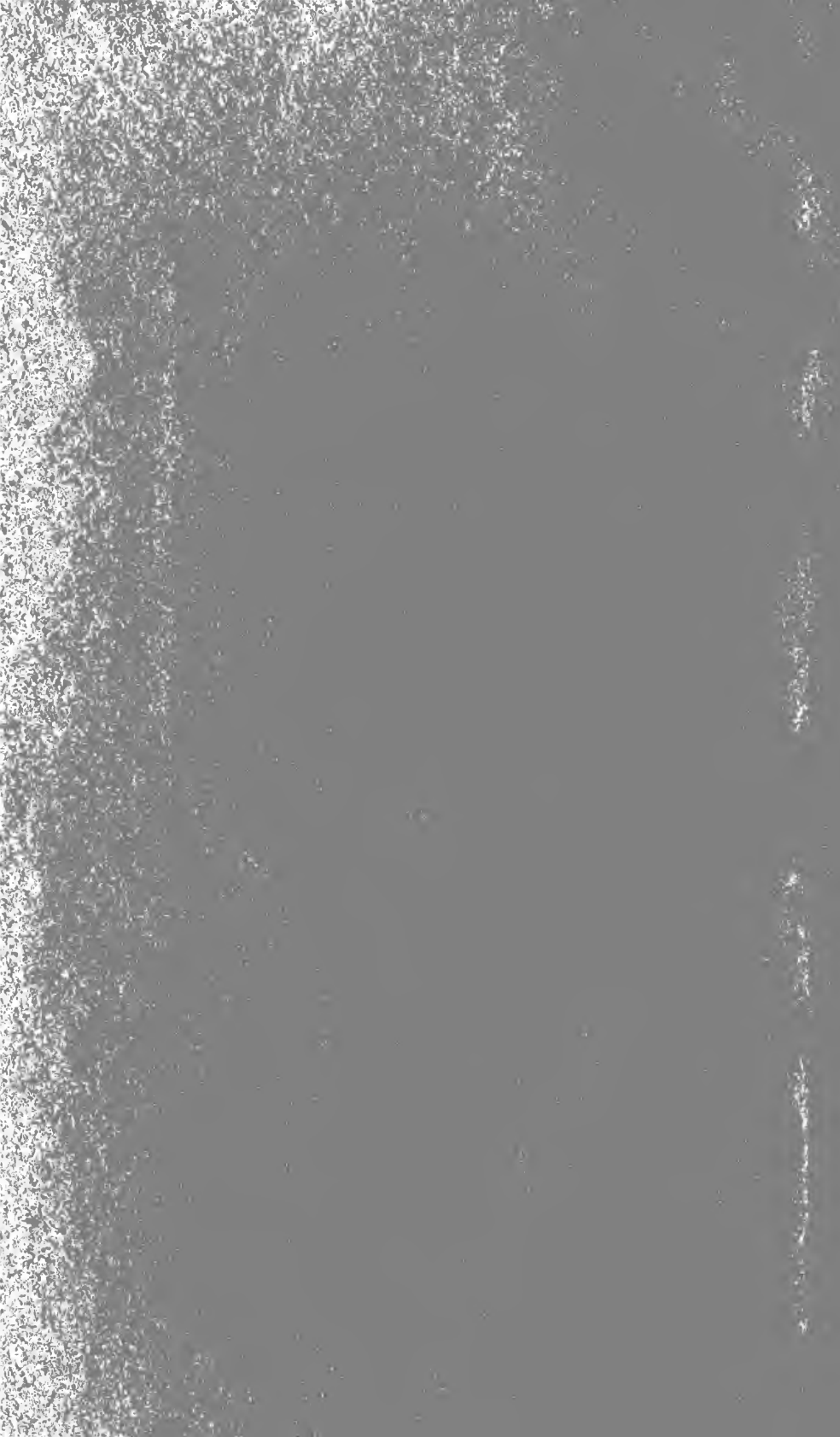
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STATEMENT
OF THE
SECRETARY TO THE PRESIDENT
CONCERNING

The President's Inquiry in re Economy
and Efficiency

BEFORE THE
U.S. Congress
Subcommittee of House Committee on Appropriations in
charge of Sundry Civil Appropriation Bill for 1912

UNIV. OF
CALIFORNIA

FEBRUARY 6, 1911



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THE PRESIDENT'S INQUIRY INTO ECONOMY AND
EFFICIENCY.

STATEMENT OF MR. CHARLES D. NORTON, SECRETARY TO
THE PRESIDENT, ACCOMPANIED BY MR. F. A. CLEVELAND,
EXPERT IN CHARGE.

The CHAIRMAN. Mr. Norton, at the last session of Congress there was an appropriation made to enable the President, by the employment of accountants and experts, to more effectively inquire into the methods of transacting the public business of the Government in the several executive departments and other Government establishments, with a view to inaugurating new or changing old methods of transacting such public business so as to attain greater efficiency and economy in the administration of our public affairs. The appropriation made was \$100,000 and you estimate for the next two fiscal years \$100,000.

First, let me ask you what amount has been expended from the appropriation made for the current fiscal year?

Mr. NORTON. Less than \$10,000 of the \$100,000 has been expended.

The CHAIRMAN. Is the investigation now going on as authorized in this paragraph?

Mr. NORTON. It is in hand. The appropriation was made effective July 1, at a time when the executive offices were away from Washington and nothing was done to cause any large expenditure of money during the summer. We made a careful study of plans for conducting the inquiry and of men available to do the work during the summer, interviewed a great many men, looked into their capacity for this work, but did not organize our staff until returning to Washington in the fall. We have been at it since that time.

The expenditures up to the present moment have not been large. We have kept them down to the lowest possible sum, and in our preliminary inquiries we have been able to use the forces in the departments to advantage. We have asked the departments for certain information as a basis for the judgment which will be formed and acted upon later. This entailed a very great amount of work on the departments but the information has been cheerfully furnished.

For the purpose of assisting in carrying on the inquiry, and enlisting the cooperation of the men in the service, the head of each department and independent establishment was asked by the President to appoint a committee on economy and efficiency. All of these committees, altogether perhaps 50 men, were called together at The White House at the start and the President explained to them what his plans were and what he expected of them. The head of each department has been given a series of requests for information. These requests have covered the subjects of (1) powers, duties, and

limitations of each bureau and division as a means of understanding just what were the problems before each department; (2) organization and equipment for exercising the powers and performing the duties; (3) methods employed in conducting business; (4) records kept, where and by whom; (5) kinds of documents used as evidence of transactions; (6) methods and procedure of audit; (7) methods of handling and filing correspondence; (8) methods of preparing and submitting estimates and the kind of records supporting estimates for appropriations, etc.

These inquiries were formulated in our office.

The CHAIRMAN. The office of the President?

Mr. NORTON. Yes, sir; the office of the President, and, the President having assigned the matter to me, I in turn employed Mr. Cleveland to have general charge of the inquiry under my direction.

The CHAIRMAN. How many people are employed and paid from this appropriation at the present time?

Mr. NORTON. Eleven people are paid out of this appropriation.

The CHAIRMAN. None of those paid from the appropriation is on the pay roll of the Government in any other department?

Mr. NORTON. No, sir. Of course, this force will be largely increased as the work progresses. A large part of the material called for from the departments is now in. As it has been received it has been digested and made available to the committees for critical consideration and constructive recommendations.

The CHAIRMAN. What has been the line of investigation thus far, in a general way.

Mr. NORTON. The first thing we took up for detail analysis was the question of the estimates of the departments, the way in which they are made up and the way in which they are submitted to the committees of Congress.

The CHAIRMAN. The estimates for appropriations?

Mr. NORTON. Yes, sir; with a view to enabling the President to know, first of all, those objects for which money is expended, in order that he may later form a judgment as to whether it is expended economically. We have recast the estimates of appropriations, basing our work upon a new classification of objects of governmental expenditure. This classification contains main headings running from A to Z, and some of these main headings are further subdivided, so that there are in all 35 to 40 items.

The CHAIRMAN. Are you using Greek symbols and other symbols for the purpose of indicating items when the alphabet is not large enough?

Mr. NORTON. We are not.

The CHAIRMAN. Of what advantage are these symbols?

Mr. NORTON. They enable one to state definitely a class of expenditures by a shorthand method and at the same time to indicate the larger classes or groups to which such class belongs. Thus, it might take a long phrase to explain exactly what is included in a class of expenditures which appears on a summary or estimate.

By having a symbol, the class, and its relation to other classes, can be accurately and fully determined by referring to the code catalogue. The exact meaning of each class, subclass, or subdivision may thus be definitely known to everyone who has anything to do with the subject.

Take traveling expenses as an example (Class B). We find that the traveling expenses of the Government last year amounted to a certain

large sum. Now, having ascertained that fact, we can go below and find out the cost of travel in each department. For instance, we find that in the Department of Agriculture the traveling expenses were approximately \$1,300,000. Following down the subdivisions of our classification under this heading of traveling expenses, we can determine the exact way in which the expense was incurred and the particular unit of governmental organization in the work in which it arose. We can also find out the exact amount paid for first-class single-trip tickets, second-class single-trip tickets, third-class single-trip tickets, mileage, etc.—in fact, we can get down to the thing bought and the price paid, if this information is desired. When looking at any total or summary it will be known exactly what is included so that there will be no confusion of thinking about the subject. After determining on these main classes, they were applied to the estimates of 1912.

The CHAIRMAN. Have you also ascertained that the Agricultural Department has recommended and the Committee on Agriculture has carried in the agricultural appropriation bill a provision to repeal the law which requires the Agricultural and other departments to report to Congress all travel, giving the names of the persons who travel outside of those who are in the field service, the amount expended, and the business on which they travel? Are you aware that such a recommendation was made for the repeal of that law?

Mr. NORTON. No, sir.

The CHAIRMAN. That is in the agricultural appropriation bill.

Mr. NORTON. After such an analysis of expenditures has been made and reported in summary form, supported by such detail regarding the subject as may be desired, the question can be taken up by the President or head of department. First, as to whether that travel was necessary, and, second, as to whether the transportation was bought as cheaply as possible. That is the object of the classification of traveling expenses under one head. We are making up a list of the objects for which the Government spends money. It is an immense task, but it is nearly completed. It is codified for convenience and classified by numbers in such a way that a certain letter means travel and a certain number means first-class single-trip railroad tickets, etc.; another number means the Agricultural Department. For instance, any number beginning with "1" means expenses in the Department of State and any number beginning with "2" means expenses in the Department of Treasury. The Department of Agriculture is "8".

Mr. FITZGERALD. Is this scheme for the information of the President, or is it contemplated that a plan will be recommended to Congress by which all the items for the Treasury Department shall be appropriated in one item?

Mr. NORTON. We have not reached any conclusion on that subject. I might say, in general terms, that the aim of the inquiry is to display the Government business so that it can be thought about intelligently by the men in charge and who are responsible for it.

Mr. FITZGERALD. The expenditures?

Mr. NORTON. Yes, sir. Just as soon as the classification of the appropriation bills and of the objects of expenditure is finished we plan to lay the results of the inquiry before the appropriation committees in Congress, and to invite your cooperation and that of any of the appropriation committees of Congress, either in the House or the Senate, in considering this question, "How can we best throw

the searchlight on the methods of the Government in spending money?" We want to know what information you desire in addition to the information that is needed by the administrative heads. Furthermore, we want you to help us decide how this information may best be presented or reported to make it most readily useful and understandable. We are trying to classify the objects of expenditure in such a way that a man can see what is done and follow any class of items or any particular item down to the actual article bought and the expense incurred and then decide whether or not it was intelligently bought or intelligently incurred. We assume that this is absolutely necessary to administration, and that it can not help but be useful to you in determining how much you desire to appropriate.

The CHAIRMAN. One result of that investigation then will be to demonstrate the wisdom of the proposition of concentrating jurisdiction over all appropriations in one committee, will it not?

Mr. NORTON. Yes, it might result that way.

The CHAIRMAN. For consideration, and keep a check on all appropriations?

Mr. NORTON. Yes, sir. We have no intention whatever of suggesting that the estimates for appropriations shall not come to your committee, or any committee, in the present form in which you now receive them. We do intend, however, to show each year's estimate reclassified in such a way that a man can tell how much the Government has spent for any given object, such, for example, as forage, and from this have some basis for estimating what will be needed for the next year, when these detail estimates are stated in totals. Furthermore, we will tell you explicitly what we mean by "forage," and what is meant by "subsistence," and how much money is being spent for "forage" or "subsistence" and every object for which the Government spends money.

The A to Z classification is the most intelligent classification that we can find. An enormous amount of work has been done by the committees (working overtime far into the night) on this inquiry without the expenditure of much money thus far, but the time is speedily coming when we must spend some money.

Mr. FITZGERALD. What doing?

Mr. NORTON. Before answering that question, with your permission, I will go a little further. In order to judge as to whether an expenditure for travel, or forage, or printing is intelligent or not, the authorization for the expenditure must be a document that is a clear, understandable document, and so we have a committee on expenditure documents.

Mr. FITZGERALD. I do not catch the meaning of that?

Mr. NORTON. By expenditure documents I mean the requisitions, proposals, awards, contracts, purchase orders, invoices, and vouchers which would be signed by, or which involve responsibility of, any official who has the right to authorize or approve the spending of money.

The CHAIRMAN. That is what you mean by the expenditure documents?

Mr. NORTON. Yes, sir. We find that there is for example an immense variety of purchase orders and requisition forms in use by the Government. Some of them give little and some much of the information necessary to intelligent action by the approving officer,

but none of them give all of the information which the officer should have before him for the exercise of discretion in handling the business of the Government. In this, as in the estimates, we are looking toward a constructive plan which will not only afford the basis for intelligent judgment on all expenditures, but which will also locate responsibility for lack of intelligence or due regard for economy.

Mr. FITZGERALD. You can not tell the article purchased?

Mr. NORTON. Generally speaking, no. The documents do not now clearly indicate precisely the kind and grade of article bought; so that neither this committee nor the President nor any administrative officer can form an intelligent judgment as to whether economy was practiced or not.

Mr. FITZGERALD. The description in the voucher does not enable you to tell whether the price paid—

Mr. NORTON (interposing). Was a fair price for that particular article or not. We are analyzing every object for which the Government spends money, classifying and codifying, it might be said cataloguing, the specifications and description of things bought, so that by use of a short code, designation, or symbol, in addition to the name, exact reference may be made on the expenditure document. The purpose is to enable one to tell exactly what the person who made up the voucher intended to describe and enable the auditor to have before him statements by the receiver of the goods as to exactly what was received; from the inspector as to exactly what was inspected; and to check this to requisitions, orders, bids, contracts, which set forth exactly what was to have been delivered and what price should have been paid. This is a tremendous task. It is being done by these committees, the members of which are now in the Government service, picked men, some of the very best men in the departments.

The CHAIRMAN. It is proposed to adopt some uniform form of document?

Mr. NORTON. Yes; so far as uniformity is practicable.

The CHAIRMAN. The President would have it in his power to adopt a regulation of that kind without legislation?

Mr. NORTON. Yes, sir; I think so.

Now, then, after the actual completion of the transaction, the payment of the money and the auditing of the voucher must be considered. At the present time it is fair to say that the auditor has before him so little information that is exact; the documents contain so little evidence that would be acceptable to a court; and the audit on a given transaction takes place so long after the fact that it is not possible to audit the transaction on its merits. Indeed, our present auditing system does not look into the merits at all. Proper supporting data are lacking, and so much time elapses before the audit takes place that all possibility of inspection for the purpose of obtaining evidence is lost. For instance, oats bought months before have been consumed and they can not be seen. The procedure relating to the reporting of facts after inspection of the goods, the consideration of what evidence is necessary to the audit of a voucher, what procedure is to be followed in collecting and authenticating the evidence which is on documents which the auditor has before him, no one of these has been thought out clearly, nor is there any uniformity or consistency in the procedures of the several divisions of the service.

Mr. FITZGERALD. For instance, the Army purchases oats all over the United States and in the Philippines and different places. Are you developing a system of inspection that is to be an aid to the auditing?

Mr. NORTON. Yes. We have in mind developing a procedure which will make inspection effective when employed; a procedure which will have for its purpose throwing around the audit of claims the same protection which a court throws about itself in considering a case before it. The procedure of audit should be as well defined as the law of evidence.

Mr. SMITH. Suppose now that the department recklessly makes an exorbitant contract for oats. Suppose that it turns out that they have been buying oats at Cincinnati at \$2.40 a hundred and shipping them to Des Moines, Iowa—oats that came from Des Moines, Iowa, originally, the Government paying the freight in the contract price to Cincinnati and paying its own freight back to Des Moines, where oats grow right outside the corporate limits, and it is paying now \$2.40 a hundred in Cincinnati when the oats are only worth \$1.30. To what extent has an auditor anyhow any right to question the reasonableness of that contract?

Mr. NORTON. He has no opportunity under the present auditing procedure of the Government.

We have in mind a clear-cut procedure to be followed in collecting and authenticating the evidence on documents presented for audit so that the auditor may disallow such a claim as being unreasonable and unjust. The return made by the inspector as to the quality of the oats would be only one of the facts for the auditor's consideration. The procedure would require that each person who had any part in the transaction should make a statement over his own signature as to the facts within his personal knowledge, and nothing else. It would be for the auditor to determine whether the evidence was sufficient, and whether the claim was just and reasonable.

Mr. SMITH. Was it your intention not only to devise economies in the administration, but in the actual commercial transactions of the Government outside of the city of Washington?

Mr. NORTON. Yes, sir. Judge Smith, the President's inquiry into economy and efficiency has nothing more to do with administration than you have. It wants nothing more to do with administration than do you. We want to provide the machinery by which the President may look into his administration, so to speak, as the head of a business would do; we want to throw light on the transactions so that he can form an accurate judgment as to whether the transactions were well or ill done. He is responsible for every act of every man under him; he is entitled to have the means whereby he may inform himself as to what is going on; the heads of departments, as his advisers, are equally entitled to such information. Congress is entitled to the same kind of information, if desired.

Mr. SMITH. What is going to be the good of it? I have information—I am not vouching for its reliability—that the quartermaster's branch of the War Department has now a contract, the vouchers under which are going through the auditor's office, to buy oats at \$2.40 a hundred at Cincinnati, worth only \$1.30, and to be shipped back to Des Moines, Iowa, where they were grown.

Mr. NORTON. Allow me to turn your question around. You are appropriating for the expenses of the Government, and when you

hear a thing of that sort what facilities have you for testing the accuracy of it?

The CHAIRMAN. To call the officer before the committee and ascertain whether or not it is true.

Mr. SMITH. We could summon both the Auditor for the War Department and the Quartermaster General and have them produce the papers.

Mr. NORTON. You would at once find yourself in a debate with them as to the quality of the oats—as to what grade they were; you would find that the record of the transaction on the vouchers and supporting papers was not clear; that the facts were not stated with such exactness that you could get at the merits of the transaction without great difficulty, if at all. We are trying to provide a means whereby you might have this information reported to you immediately, and the evidence on which this report is made the same as would be produced in a court, or before you on subpoena. This is what we are trying to do—to work a procedure out with a view to getting clearness and exactness of statement of fact either in summary or detail, as desired, so that when a question is raised as to a transaction one man will not be talking of one thing and another of another thing. We assume that you have a right to hold the administration responsible for a clear statement of facts on any subject of business; and, further, that the heads of the administration are entitled to this same kind of information currently from their subordinates.

The CHAIRMAN. I have information that this practice referred to by Judge Smith is not confined alone to the purchase of oats, but, to other articles purchased by the War Department, where there is a double transportation on everything that is bought. If your investigations throw any light on transactions of that kind, then it is your purpose to remedy them by providing a system that would make it impossible to practice anything of that kind in the future?

Mr. NORTON. Rather to make it impossible for such practices as are suggested to exist, without the fact becoming immediately available to those who are responsible for administrative direction and control; and to enable the officer to report the facts to you. Oats would be included in the general class "forage"; you would have brought to your attention the fact that the Government spent, let us say, \$4,500,000 for forage during the year 1910. You are asked for an appropriation covering the quartermaster's estimated expenditures; before making it you would say: "What is the analysis of that forage account?" This would be stated to you by classes of forage, in which might appear, say, \$1,000,000 for oats; supporting this you might have stated the kinds of oats, the price per hundred, and the amount purchased and used at each place where oats were obtained. Instead of being interested in forage, and other classes of purchases, your committees may be so organized that you may wish to inquire into the needs of each department and to consider these in relation to what has been the cost of operating them in the past.

Take the War Department, for example: You could trace its cost of operation, maintenance, construction, work performed, etc., right straight down from the department as a whole to each division of work; and there again resolve these total costs into specific things bought and prices paid. If the method of describing oats or any other thing is the same throughout the Government service, there is a

double advantage: (1) There would be no confusion as to what is bought by each branch; (2) comparisons could be made of purchases in the War Department with those in the Department of Agriculture, or any other department. If it is clearly indicated what classes of oats were bought, if this is shown on the requisition, on the purchase order, on the invoice, on the voucher, you are then in a position to say, "This is what we are talking about, this is what you bought, that is what you say you paid for it, these are the vouchers on which money has been paid, and now what have you to say about it, Mr. Administrator?" The administrator would also be in the position of having this same information available to him each day. He could have it in time to direct and control expenditures; he would have it in time to correct any wasteful practices that might exist, and then when he came to you a year afterward with his report he would have a record of accomplishment to lay before Congress. The difficulty now is that the administrator himself does not know, and when you go into a transaction you have him at a disadvantage; moreover, you yourselves are at a disadvantage; the method of recording the transaction itself varies so much in the various departments that you can not understand them; you find that you are talking about one thing and the man before you is talking about another.

You have no common language, if I may use that expression. It is a long, laborious job that is being undertaken, but we have been forcing this work as much as possible, and so far with only a small expenditure of money, by using the department people as much as we could. The use of the department committees makes them keen and intelligent on the subject of economy and starts them to looking into their own methods of administration, which, after all, is what we have been driving at. We are coordinating all this effort by the questions asked, the reports requested, the conferences held, the assistance rendered by a professional staff of experts at the President's office.

Among the subjects of inquiry mentioned is the method of handling and filing correspondence. We find that different methods are employed in the different departments. In fact, there is a different method found in practically every office of some departments. One method is naturally less expensive and more effective than the other. What is the best way to do it? We have a committee hard at work on that one problem.

Then, of course, there is the question of cost accounting, so we can get accurate knowledge about the cost of making a battleship, or of making a census report, and, if desired, the cost of each process.

The CHAIRMAN. Can you state what the Government expends for stationery?

Mr. NORTON. We can give you an approximate figure, the best that is now at hand—\$1,796,642.94. If we had the proper means of keeping this information before the administration we could answer this question or any other that you might ask accurately and immediately.

The CHAIRMAN. Does that include the printing on the stationery?

Mr. NORTON. No, sir. On the statement which I have before me, printing is a separate item of several times that amount when considering the work done by the Government Printing Office.

The CHAIRMAN. That includes more than the printing of the stationery?

Mr. NORTON. Yes.

The CHAIRMAN. And without the canal expenses?

Mr. NORTON. They are excluded from the statement before me.

The CHAIRMAN. Merely the salaries in the executive departments outside of the Post Office Department?

Mr. NORTON. Yes, sir; exclusive of the postal service.

The CHAIRMAN. Does that include the field service of the various departments?

Mr. NORTON. Yes, sir. It includes all the general appropriation bills, but does not include the Panama Canal or the postal service. We have arranged that information by the departments, and then we have it by bureaus.

The CHAIRMAN. The investigation you are now engaged in is necessary, as I understand you, to intelligently understand the present methods of administration?

Mr. NORTON. That is exactly it. So that they may be improved if possible.

The CHAIRMAN. With a view to segregating those methods where you find a method tends either to inefficiency or extravagance?

Mr. NORTON. Exactly. Let me take an illustration, traveling expenses. Suppose we find that one of the bureaus is spending \$1,500,000 for traveling expenses, and we find, furthermore, that there are ten or fifteen or twenty kinds of ways in which traveling expense money can be spent—first-class single-trip tickets, mileage, round-trip tickets, etc.—and put an expert at work and he finds that that bureau, according to the classification established, spent only \$350,000 for mileage, whereas it spent \$1,150,000 for first-class single-trip tickets. In the first place if the vouchers for travel are properly drawn they might show this in a very simple way, by the code number and brief description, and from these an exact analysis of the way the money was spent might be obtained.

From the analysis and the questions which would naturally follow it is found that it is the custom of the department to issue transportation orders to the railroad to issue tickets, which orders in turn are honored and settled for at the first-class single-trip rates. This would mean that the department spends, say, \$10 for a ticket to New York and back, \$1 more than you or I would spend by the use of mileage when we go to New York and pay for it ourselves. We probably buy \$50 or \$100 worth of such transportation where the Government buys ten or fifteen million dollars worth and pays for such a trip as I describe 10 per cent more for it than we do. If there is any appreciable portion of ten or fifteen million dollars on which 1 per cent, 2 per cent, or 10 per cent may be saved, this is an item of waste for which an administration might be held justly responsible, and an amount large enough to engage the attention of Congress.

Mr. FITZGERALD. Let me cite an illustration. Certain Army officers want to make certain inspections and they went by automobile when they could have traveled by rail. Would that show up under the present system?

Mr. NORTON. Under the present system it would not. The expenditure document, the requisition or order—that is, the paper signed when the transaction is approved—usually does not show properly the exact nature of the transaction, and therefore no mortal man can form a fair judgment.

The CHAIRMAN. As to whether or not authorized?

Mr. NORTON. Whether it is something that should be done, or is well done.

If you asked the head of any department whether the money expended in his department was well expended his answer would be, "Yes, we believe we are doing it as well as it can be done," and if he wished to show that it was he would not be able to do so until some such machinery has been devised, so to speak, as we are now working on. To provide a method of doing this is a tremendous task, as I have indicated to you, and we are now hard at work devising such a method.

I have not spoken of all the work we are on. I will not bore you by going too much into detail. After we get together the material necessary to enable us to formulate a definite constructive program, one that is consistent and will enable us to develop methods of uniform practice, then we must bring to bear upon the problem the best minds, experts, that we can employ, with a view to making available to those who are now in the service the advice and cooperation needed to place the business of the Government on the best basis. Experts are needed, first, in order that the President may be advised; second, in order that those who are in direct contact with the work may have the benefit of the contact and experience of those who are accustomed to dealing professionally with problems of purchasing, inspecting, auditing, accounting, reporting, and controlling those various functions which go to make up the complex activities of the Government.

After we have a method installed, through which you can really get a "look-in," you can turn to any branch of the service—the Hydrographic Office, the Weather Bureau, the several map making or printing establishments, and what not—and pick out the overlapping duplications and administrative and operative functions, the expenses of which are higher than they should be, and deal with such problem intelligently as a matter of legislation and appropriation. Until this laborious task is finished, it will be impossible for a committee of Congress, for the President, or for the Secretary of a department to think intelligently on the subject of economy and efficiency. What we are aiming at is to give to Congress, the President, and other administrative officers exactly what the board of directors and the head of every large business has or should have before them when forming judgment whether money is well or ill spent.

The CHAIRMAN. Is it not your purpose at the present time to propose to submit estimates for public expenditure in any form other than the form in which the estimates are now prepared, which estimates are presented in accordance with law, and they can not be presented in any other way until the law is changed?

Mr. NORTON. No, sir. So long as your present law is in force we shall submit estimates in the present form, but also in the new form, so that you can analyze them, and if, later on, you gentlemen in Congress decide that you wish to transfer from the present method of making estimates for appropriations to a method of making and submitting estimates which you may by that time understand and like better, that will be your own pleasure. It is hoped, however, that you may provide some method or means for the joint consideration of the subject of forms of estimates and requests for appropriations.

Mr. MALBY. I presume there are various employees of the Government at the present time who are allowed a certain given sum

per diem in lieu of absolute expenses. Do you propose to cover those?

The CHAIRMAN. I think what Mr. Malby has in mind is that in the different departments there are a great many men in the field service allowed \$3 per day.

Mr. SMITH. In lieu of subsistence, not in lieu of traveling expenses.

Mr. MALBY. No; I think the allowance is always made for subsistence, exclusive of travel expense. You do not have any information as to what their actual expenses are?

Mr. NORTON. It will be a question of judgment whether such a practice should be continued after the facts are available by means of which you can compare the \$3 a day man with the expense of a man who does not have \$3 a day but turns in his actual bills.

Mr. MALBY. I wondered whether there was no way to get at their actual expenses?

Mr. NORTON. We want to have the exact information so that any question that is asked about the service can be answered promptly. Almost no administrative officer in Washington knows to-day how much of his current appropriation he has expended up to date.

Mr. MALBY. Is any effort being made to ascertain whether any departments of the Government have a surplus of officers or employees or what percentage of labor one employee can perform over another, so that you may be able to formulate a basis on which to pay per unit for services? Is that scheme contemplated?

Mr. NORTON. Not at the present time.

The CHAIRMAN. So far as there is a surplus of employees for a given amount of work, I think that would be exhibited in the investigation.

Mr. NORTON. Oh, decidedly; but to compare the efficiency of one man with another, that is a step that we have not yet taken.

Mr. MALBY. I have it in mind that the employees who are paid precisely the same salary differ greatly in efficiency, and some may be paid in excess who actually perform less work.

Mr. NORTON. We expect ultimately to be able to show this.

Mr. MALBY. I may be mistaken, but I had in mind that one of the great avenues of waste in the Government was overemployment—that is, too many employees and inefficient employees, either by age or other incompetencies—and if that could be covered in any substantial, effective way it would strike me that it would result in quite a saving to the Government.

Mr. NORTON. Yes, sir.

The CHAIRMAN. Provided you could enforce a reform of the methods.

Mr. NORTON. In order to get expenses down in the departments the most successful appeal that could be made is to the material spirit of competition and pride which exists in the mind of any intelligent administrator. If you are able to say to the head of a bureau in the Department of Commerce and Labor that your costs for such and such a class of work are 25 per cent less than the costs produced by the head of a bureau in some other department for a similar class of labor, or still better if you can get a man or a head of a division to work against his own record, making a record of efficiency the basis for promotion, you have given an inducement to serve the Government well. That is just human nature, and what we hope to do is to provide such machinery that that fundamental, homely spirit of

competition and self-interest may be utilized for obtaining the best results.

The CHAIRMAN. Mr. Norton, do you anticipate that you will have an unexpended balance of this appropriation at the end of this fiscal year?

Mr. NORTON. Yes. We shall be able, however, to use a large staff of men on the great mass of material we are gathering very shortly.

Mr. FITZGERALD. How do you expect to spend the \$90,000?

Mr. NORTON. We shall set to work the best experts we can find.

Mr. FITZGERALD (interposing). Make contracts with accountants?

Mr. NORTON. No. We shall probably make no contracts with firms of chartered public accountants, but employ our experts individually.

Mr. FITZGERALD. Are you familiar with the arrangements that the Treasury Department made with A. W. Young & Co., of Chicago?

Mr. NORTON. Yes; some of them.

Mr. FITZGERALD. It provided that they should be paid \$36,000 for certain work, \$20 a day—

Mr. NORTON (interposing). We do not plan to do that. We shall employ our own men and pay them.

Mr. FITZGERALD. It was based on a payment of \$20 a day for accountants and \$12.50 a day for junior accountants, with \$3 a day for subsistence. They brought men down here as junior accountants, paying them \$20 a week, and collected \$15.50 a day. Have you a scheme like that?

Mr. NORTON. No, sir.

Mr. FITZGERALD. Can you tell us what compensation you expect to pay the experts and the character of the service which will be rendered?

Mr. NORTON. It depends on the character of the work. We pay the man now in charge for the days he actually works, at the rate of \$10,000 per year. So far we have not used his entire time. Every day he works he is paid at that rate. At the present time we have two expert accountants who receive \$3,600 per annum each; one at \$3,000; one at \$2,200; one at \$2,000; one law clerk at \$1,500; and four stenographers at \$720 each.

Mr. FITZGERALD. How many men do you think you will employ?

Mr. NORTON. I think we should have right away a regular staff of about six men of the highest order.

Mr. FITZGERALD. At what compensation?

Mr. NORTON. I should hope to get these men at the rate of about \$6,000 a year, or if that is not possible at \$8,000 a year, and pay them for the time actually employed. We will have to go right into the competitive market and compete with large corporations and firms of chartered accountants, engineers, lawyers, etc. We shall go out for those men and get the best we can. That is the reason I have been so slow about expending the money, being very careful about selecting the men. I think that from \$6,000 to \$8,000 a year ought to get the men we need, and I am aiming to get five or six men at that rate at once. These would be men in charge. They will direct the committee work.

We want one man who is an expert efficiency engineer, who will be able to go into Government operations where engineering knowledge is required and give intelligent assistance and direction to the work in progress of this kind. We want a man as expert

accountant. We need a law expert of the highest class to help to formulate procedures pertaining to audit; prepare documents which will have character as evidence; suggest legislation where it will be required. We need a highly trained man of the secretarial type—some man who would give his entire time, arrange the meetings and keep the thing going, and who is also intelligent enough to lead these departmental committees in their work. In addition to those men we need a great many clerks temporarily to tabulate the returns we get from the inquiries we are making in the departments. That is temporary.

Mr. FITZGERALD (interrupting). How long do you think it will take to do the work?

Mr. NORTON. What is your estimate, Mr. Cleveland?

Mr. CLEVELAND. We are trying to get the underlying expenditure documents ready to install on July 1, so that we will have the foundation laid for getting information currently throughout the next fiscal year. In order to do that intelligently, we will have to put on all the force that is necessary to digest and analyze the rather voluminous reports which we have just received.

But with this only the foundation has been laid in evidence, i. e., in the documents of expenditures, as primary records of transactions. Then it will be necessary to install records by means of which this data may be classified and stated in accounts, so that the results may be accurately and promptly reported to the administrator. This is essential to getting the information before him and enabling him to get it before Congress.

Mr. FITZGERALD. How long will it take and how much will it cost?

Mr. NORTON. It is impossible to say just how long it will take or just how much it will cost, but, in my judgment, our present appropriation will carry us through to about the 1st of September next.

The CHAIRMAN. Which appropriation?

Mr. NORTON. The one we already have.

The CHAIRMAN. To the 1st of September?

Mr. NORTON. Yes, sir.

Mr. FITZGERALD. This appropriation is available until the 1st of July. The estimate is to appropriate \$100,000 for the next two years. Suppose you only want \$50,000 for the next year?

Mr. NORTON. We shall use from September 1 to the following July 1 possibly the full \$100,000 asked for. Our expenses will increase rapidly from this time forward, and then after about one year they will taper off.

Mr. FITZGERALD. Are there no men in the Government service qualified to do any of the work?

Mr. NORTON. Yes; some of them we can not get. We are using every man we can find who can be spared from his work.

Mr. FITZGERALD. Gen. Crozier submitted to the committee this year reports regarding the cost of certain manufactures. I think you should be able to send the committee some specific information of the manner in which this money is to be spent.

Mr. NORTON. I will be glad to submit such a statement to the committee.

Statement made by Mr. Norton showing condition of appropriation Feb. 1, 1911.

Amount of appropriation..... \$100,000. 00

EXPENDED.		
Salaries.....	\$6,584.32	
Traveling expenses.....	291.70	
Furniture.....	146.03	
Office supplies.....	270.84	
		7,292.89
Outstanding obligations (estimated).....	200.00	92,707.11
Government Printing Office, for printing.....	494.24	694.24
Balance available Feb. 1.....		92,012.87

Estimated cost of conducting the President's inquiry into economy and efficiency, from Feb. 1 to July 1, 1911.

1. Salaries and wages:	
a. Expert in charge.....	4,166.67
b. Regular staff—	
6 experts.....	15,000.00
10 accountants.....	12,500.00
10 clerks.....	6,250.00
12 stenographers.....	4,583.33
Total regular staff.....	42,500.00
c. Consulting staff.....	6,250.00
d. Reserve for expenses of experts brought into consulting relation..	2,083.33
2. Furniture and filing equipment.....	416.67
3. Stationery, printing, reports, tabulating, tabulating machines, and distribution of committee documents, etc.....	10,416.67
4. Reserve for contingencies.....	6,250.00
Estimated amount which will be needed prior to July 1.....	67,916.67

Estimated unexpended balance which the committee is asked to reappropriate.....	24,096.20
Estimate for 1912.....	100,000.00

In submitting the foregoing estimate it is assumed that a large part of the work necessary to accomplishing the purposes of the inquiry will be done by experts and other employees already in the service of the departments. To inquire into the present methods of doing business, and to make such changes as are necessary to place the Government on a basis of economy and efficiency, would cost many times the amount of the appropriation asked for if this were to be done by persons outside of the service; besides, if the work were done principally by those not in the service, the disciplinary result of having the work done by the men in the ranks would be lost. The foregoing estimate enables the President to get behind the work and act intelligently about it; further than this it helps those in the departments who are busy with their regular duties to get in touch with conditions as they actually exist, to think about the needs of the Government as a whole, and to have the benefit of the best professional advice obtainable. It is hoped that the President may be authorized to use any balance of the present appropriation that may be unused, July 1, in addition to the appropriation asked for, i. e., in addition to the \$100,000 requested for the next two years.

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